REPORT RECOMMENDATION(S)

That Planning and Housing Committee recommend Council:

1. Approve the provisional 2024 City-wide and Area-specific Development Charges Background Study dated March 15, 2024, and the provisional 2024 Stormwater Management Area-Specific Development Charges Background Study dated March 15, 2024.

2. Approve the provisional City-wide and area-specific Development Charge by-laws, to repeal and replace the Development Charge by-laws enacted in 2019, as detailed in Documents 1-12.

3. Determine that no further public meeting is necessary.

4. (a) Approve that the Development Charges By-law 2024 (Document 1) be amended, with applicability to the other development charges by-laws, to insert a requirement for the phase-in provisions within the Development Charges Act, subsection 5(6), paragraph 4.

(b) Approve that the Development Charges By-law 2024 (Document 1) be amended, with applicability to the other development charges by-law, such that should be phase-in provisions be repealed by the Parliament of Ontario, they shall be of no further effect in the development charges by-law seven calendar days after the effective date of their legislative repeal.

RECOMMANDATION(S) DU RAPPORT

Que le Comité de la planification et du logement recommande au Conseil :

1. d’approuver les versions provisoires de l’étude préliminaire sur les redevances d’aménagement 2024 pour toute la ville et pour certains secteurs et de l’étude préliminaire sur les redevances d’aménagement 2024 pour la gestion des eaux pluviales dans certains secteurs, toutes deux datées du 15 mars 2024;

2. d’approuver les versions provisoires des règlements de redevances d’aménagement pour toute la ville et pour certains secteurs, qui abrogeront et remplaceront les règlements adoptés en 2019, comme l’indiquent les documents 1 à 12;

3. d’établir qu’aucune autre réunion publique n’est requise.
4. (a) d’approuver que le *Règlement municipal sur les redevances d’aménagement* de 2024 (document 1) soit modifié afin d’y ajouter une exigence, également applicable à l’ensemble des autres règlements sur les redevances d’aménagement, répondant aux dispositions d’introduction graduelle énoncées à l’alinéa 5(6)4) de la *Loi de 1997 sur les redevances d’aménagement*.

(b) d’approuver que le *Règlement municipal sur les redevances d’aménagement* de 2024 (document 1) soit modifié afin que, dans l’éventualité où les dispositions d’introduction graduelle soient révoquées par l’Assemblée législative de l’Ontario, lesdites dispositions ne soient plus en vigueur dans le *Règlement municipal sur les redevances d’aménagement*, ainsi que dans l’ensemble des autres règlements sur les redevances d’aménagement, sept jours après la date effective de leur révocation législative.

**EXECUTIVE SUMMARY**

**Assumption and Analysis**

The previous 2019 version of the *Development Charges Act, 1997 (DCA)* required Ontario municipalities to update their *Development Charges Background Studies (DCBS)* and By-laws at a minimum every five years. The City of Ottawa’s current interim Development Charges By-law was approved on this basis on May 22, 2019 and will, therefore, expire on May 22, 2024. There is no opportunity to lengthen the expiration date without Provincial legislation being in place to extend the existing Development Charges By-laws. The Province on March 22, 2024 reiterated their previous support within the Terms of the Ontario-Ottawa Agreement “to enable Ottawa to extend existing Development Charges by-laws without having to prepare a new background study” to support investments in the required infrastructure.

As a provisional or interim measure, awaiting Provincial legislation, the 2024 DCBS have been prepared in accordance with the *Development Charges Act* and associated regulations, including the amendments that came into force in November of 2022 under Bill 23 the *More Homes Built Faster Act*. Through this report, a recommendation is being made to Planning and Housing Committee and Council for approval of the 2024 provisional Development Charges Background Studies (DCBS) and corresponding rates listed within the replacement by-laws to ensure development charges will continue to be collected. Bill 185 Cutting Red Tape to Build More Homes Act, 2024 was
introduced April 10, 2024 and if approved provides all municipal councils the authority to extend the Development Charges By-law. When this report was prepared, Bill 185 has yet to be granted Royal Assent.

The provisional calculation process is consistent with the projects and calculation methodologies included within previous DCBS. The current interim 2019 DCBS and by-laws were also prepared in accordance with the Development Charges Act and associated regulations, including the amendments that came into force on January 1, 2016. In 2019, the City had not completed an update of the 2013 Official Plan (OP) and accompanying Transportation Master Plan (TMP) and Infrastructure Master Plan (IMP), and as such the capital projects and development forecasts remained consistent with these documents.

The City now has a new OP in place, however, there is still no comprehensive approved update to either the 2013 TMP nor the IMP. The underlying assumptions still align with these documents. In addition, the development forecast for engineered services such as water and wastewater continue to be based on growth targets to 2031 versus 2046, which was used as the end date of the planning horizon contained within the new OP. This has resulted in a fifteen-year capital project infrastructure funding gap or shortfall. It is anticipated that the City’s next set of comprehensive DCBS will be completed once the new master servicing plans, funding policies and by-law definitions have been updated, reviewed, and have gone through the appropriate approval process.

In accordance with the Development Charges Act and associated regulations, several key steps are required to calculate development charge rates. This process includes preparing a development forecast, establishing historical service levels, determining the increase needs for service arising from development, appropriate cost apportionment, and attribution to development types (residential and non-residential). It is recognized that the 2024 provisional DCBS is a point-in-time analysis and is subject to changes in project timing, scope, and costs through the City’s capital budgeting process and annual receipt of development charges. This provisional update has not altered the requirement to have non-growth-related funding sources that are sufficient to fund the City share of the growth-related infrastructure identified in the DCBS.

Public Consultation

Before passing new Development Charges By-laws, Council is required to hold at least one public meeting to review the DCBS, Council report and proposed by-laws and provide members of the public with the opportunity to make
representation. A notice to inform the public of this process was placed in newspapers on April 13, 2024, and the provisional DCBS were made available on March 15, 2024. The public meeting will be held at the May 8, 2024 meeting of Planning and Housing Committee.

A Development Charges By-law Councillors Sponsors Group was established by Planning and Housing Committee in 2023. An Industry Working Group was also established, consisting of representatives from the Greater Ottawa Home Builders Association (GOHBA) and the Building Owners and Managers Association (BOMA).

RÉSUMÉ


À titre de mesure provisoire, en attendant la loi provinciale, les études préliminaires sur les redevances d’aménagement 2024 ont été préparées conformément à la Loi sur les redevances d’aménagement et à ses règlements d’application, y compris les modifications ayant pris effet en novembre 2022 suivant le projet de loi 23, Loi visant à accélérer la construction de plus de logements. Dans le présent rapport, il est recommandé au Comité de la planification et du logement et au Conseil d’approuver ces études préliminaires et les taux correspondants indiqués dans les règlements de remplacement pour pouvoir continuer de percevoir les redevances d’aménagement. Le projet de loi 185, Loi de 2024 pour réduire les formalités administratives afin de construire plus de logements, a été déposé le 10 avril 2024, et si s’il est adopté, il conférera aux conseils municipaux le pouvoir de proroger les règlements de redevances d’aménagement. Au moment de la rédaction du présent rapport, le projet de loi 185 n’avait pas encore reçu la sanction royale.
La méthode de calcul provisoire cadre avec les projets et les façons de calculer des études préliminaires précédentes. Les études préliminaires et règlements de redevances provisoires de 2019 avaient aussi été préparés conformément à la *Loi sur les redevances d’aménagement* et à ses règlements d’application, y compris les modifications en vigueur depuis le 1er janvier 2016. La Ville n’avait pas, en 2019, mis à jour le Plan officiel (PO) de 2013 ni le Plan directeur des transports (PDT) et le Plan directeur des infrastructures (PDI) connexes, donc les projets d’immobilisations et les prévisions d’aménagement étaient conformes à ces documents.

La Ville a maintenant un nouveau PO, mais n’a pas de version à jour approuvée globale de son PDT ni de son PDI de 2013. Les hypothèses fondamentales s’inscrivent encore dans ces documents. De plus, les prévisions d’aménagement pour les services d’ingénierie, comme les eaux et les eaux usées, continuent de repose sur des cibles de croissance jusqu’en 2031 et non 2046, soit l’horizon de planification du nouveau PO, ce qui entraîne un déficit de financement, ou manque à gagner, de 15 ans pour les projets d’immobilisations. Il est prévu que les prochaines études préliminaires sur les redevances d’aménagement soient réalisées une fois que les plans directeurs de viabilisation, les politiques de financement et les définitions des règlements auront été mis à jour, révisés et approuvés comme il se doit.

Conformément à la *Loi sur les redevances d’aménagement* et à ses règlements d’application, le calcul des taux de redevances d’aménagement passe par plusieurs étapes importantes. Il faut notamment préparer des prévisions d’aménagement, déterminer les niveaux de service antérieurs, établir l’augmentation des besoins en services découlant des projets d’aménagement, procéder à une répartition adéquate des coûts, et attribuer les coûts en fonction des types d’aménagement (résidentiels et non résidentiels). Il est admis que les versions provisoires des études préliminaires sur les redevances d’aménagement 2024 représentent une analyse ponctuelle dont le calendrier, la portée et les coûts des projets sont appelés à changer selon le budget des immobilisations et l’encaissement annuel des redevances d’aménagement. Cette mise à jour provisoire n’a pas modifié l’obligation de prévoir des sources de financement non liées à la croissance et suffisantes pour financer la part de la Ville dans les infrastructures liées à la croissance définies dans les études préliminaires.

**Consultation et commentaires du public**

Avant d’adopter de nouveaux règlements de redevances d’aménagement, le Conseil doit tenir au moins une réunion publique pour examiner les études
préliminaires sur les redevances d’aménagement, le rapport qui lui est soumis et les projets de règlements, ainsi que permettre à la population de se prononcer sur le sujet. Un avis informant le public de ce processus a été publié dans les journaux le 13 avril, et les versions provisoires des études préliminaires peuvent être consultées depuis le 15 mars. La séance publique aura à la réunion du 8 mai du Comité de la planification et du logement.

Un groupe de conseillers parrains du Règlement sur les redevances d’aménagement a été créé par le Comité en 2023. Il existe aussi un groupe de travail de l’industrie composé de représentantes et représentants de la Greater Ottawa Home Builders’ Association (GOHBA) et de la Building Owners and Managers Association (BOMA).

BACKGROUND

The previous Development Charges Act required municipalities to pass a new Development Charges By-law every five years. To pass a new Development Charges By-law, a background study must be prepared pursuant to Section 10 of the Development Charges Act. This document must be made available to the public, as required by Section 12 of the Development Charges Act, 60 days prior to the Council meeting. The provisional Development Charges By-law and DCBS will be before Council on May 15, 2024. The charges calculated in the provisional DCBS represent those costs, which can be recovered under the Development Charges Act, based on the City's capital spending plans and underlying assumptions. A decision is required by Council, after receiving input at the public meeting, as to the magnitude of the charge it wishes to establish, for residential and non-residential development. Property tax, user rates or other funding sources will be required to finance the non-growth component of the growth-related capital costs. The calculation methodology contained within the provisional DCBS represent a balanced approach in implementing the overall policy of having growth pay a share of infrastructure, while at the same time, distributing eligible capital costs between residential areas and non-residential development. Development charges remain an important financial tool that helps to ensure serviced lands are available for future development and redevelopment. Issues that are contentious in preparing a DCBS relate to the geographic allocation of capital project costs, deductions for the benefit to existing development, post-period benefit allocations and predicting the timing of future capital works, to name a few. The primary purpose of the public meeting is to obtain additional input concerning these matters.
DISCUSSION

Through this report, development charge recommendations are being made to Planning and Housing Committee and Council for approval of the 2024 provisional Development Charges Background Studies (DCBS) and by-laws. The 2024 provisional development charge rates will be used as the basis to recover the costs of anticipated new development until the various master plans are updated and approved.

The following are the services covered under the 2024 provisional Development Charges Background Studies (DCBS):
- Roads and Related Services;
- Sanitary (Wastewater);
- Water;
- Stormwater Management and Drainage;
- Protection (Police);
- Protection (Fire);
- Public Transit;
- Parks Development;
- Recreation Facilities;
- Libraries;
- Ambulance Services.

Provisional Development Charge Background Studies (DCBS)

The Development Charges Act sets out the essential steps necessary to create successor DCBS. Most importantly, the Development Charges Act requires that a draft DCBS to be completed. Staff retained Hemson Consulting Ltd., to undertake the production of the revised provisional documents and the resulting studies are important companion documents to this report. The 2024 City-wide and Area-specific Development Charges Background Study dated March 15, 2024 and the 2024 Stormwater Management Area-specific Development Charges Background Study also dated March 15, 2024 were made available prior to the May 15, 2024 public meeting on a link on the City’s website.

The provisional DCBS provide an estimate on the amount, type and location of development; a calculation for each municipal service included in the development charge (i.e. growth/non-growth split, residential/non-residential split, capacity in existing systems), and other information that is required to help ensure that future development financing and infrastructure placement are aligned.

Area-specific stormwater management (SWM) rates are once again reported on
in a separate background study, which addresses a wide range of development and area-specific stormwater servicing requirements and growth potential with varying rates.

**Establishing the Development Charges**

The *Development Charges Act* outlines the method that must be used to determine development charges. The “anticipated amount, type and location of development for which development charges can be imposed” must be estimated, along with the “increase in need for service attributable to the anticipated development…”.

The provisional 2024 City-wide and Area-specific Development Charges Background Study includes a growth forecast that provides the anticipated development for which the City will be required to fund projects over a ten-year time horizon (2024-2033) for general services and only an eight-year planning horizon (2024-2031) applicable to engineering services. Ideally, the planning horizon for engineering services should be based on the Council approved OP growth projections, which are to 2046. As such the increased servicing needs attributable to the forecast development approved by Council in the OP are not reflected in the provisional Development Charges Background Studies (DCBS) capital project submissions.

**Calculating the Development Charges**

The *Development Charges Act* sets out the method that must be used to determine DC rates. This method calls for different types of deductions to be made from municipal servicing costs, where applicable, which relate to the need for service attributable to new development anticipated over the planning period.

In calculating the charge, it is necessary to:

- establish a development forecast for population and housing, and for employees based on floor area allocations;
- determine and cost the additional services such new development will require to provide the same level of service enjoyed by existing community;
- ensure that the program has Council approval;
- make the cost reductions required by the *Development Charges Act* with respect to historical average service levels;
- identify benefits to existing development allocations, excess capacity, grants and contributions, etc.; and
- calculate provisional development charges by type of use and
document this in a background study and by-law.

**Provisional City-wide and Area-specific Development Charge Rates**

In summary, the gross capital cost of the entire program listed in the provisional 2024 City-wide and Area-specific Development Charges Background Study is $15.6 billion. Of this amount, $3.74 billion has been deemed to be development charge-recoverable ($3.09 billion from residential development and $651 million from non-residential development).

The *Development Charges Act* requires that the capital costs must be reduced or adjusted for capital grants, subsidies and other recoveries made to a municipality. For example, $7.93 billion of the future grant contributions has been applied to various Public Transit projects that are identified in the DCBS to recognize that funding is required to be contributed from other levels of government.

The sole purpose of development charges is to fund a portion of servicing costs, thereby enabling growth to offset the associated capital expenditures, which allow development to proceed in a timely and efficient manner. It reflects the City’s goal to establish a development charge schedule that reasonably reflects servicing benefits received in the broad areas of the City.

The *Development Charges Act* establishes that (i) the total of all Development Charges that would be imposed on an anticipated development must not exceed the capital costs determined for all services involved; (ii) if a specific type of development is identified, it must pay the Development Charges that exceed the capital costs that arise from the increase in the need for service for that type of development; and (iii) if the rules provide for a type of development to have a lower rates than is allowed, any resulting shortfall may not be made up via other development.

To address these requirements, the City has adopted the following conventions:

1. Costs to residential uses have been assigned to different types of residential units based on the average occupancy for each housing type constructed during the initial years of occupancy; and

2. Costs are allocated to non-residential uses based upon several factors, as may be suited to each service-related circumstance.

An objective of this provisional Development Charges Background Studies (DCBS) review was to provide growth-related funding for various service categories so that the City may continue to collect revenues on an interim basis.
Provisional Area-specific Stormwater Development Charges

The provisional 2024 Stormwater Management Area-Specific Development Charges Background Study followed the same process described above. The stormwater management (SWM) is once again being addressed separately from the City's overall background study, given its unique features, i.e. a wide range of development and area-specific SWM requirements and solutions with varying capital costs. Almost all developments, since 2009, outside of these existing areas have been fully funding their own SWM infrastructure, pursuant to landholder development agreements or utilizing existing capacity and are, therefore, not subject to these area-specific by-laws.

A provisional area-specific stormwater management development charge has been calculated for each of the eleven areas, based on the recoverable capital cost estimates and development forecasts. Approximately $182.68 million in DC eligible capital costs are involved, allocated 58 per cent to 42 per cent between residential and non-residential recoverable shares.

Pending Bill 185 – “Cutting Red Tape to Build More Homes Act, 2024”

On April 10, 2024 the Province announced Bill 185, the “Cutting Red Tape to Build More Homes Act, 2024” (hereinafter the “Bill 185 Legislation”) which, if enacted, would implement substantial changes to the Development Charges Act.

The three relevant aspects of the proposed Bill 185 Legislation, in its current form, are:

1. Authorizes municipalities to extend existing Development Charges by-laws by passing an amending by-law. No limit is placed on the length of such an extension. Such a by-law is exempt from appeal.
2. Removes the requirement to “phase-in” new charges over five years (which requires progressively smaller partial exemptions, from 20 per cent to 5 per cent).
3. Re-introduces the ability for municipalities to charge for the cost of preparing certain studies connected to determining the capital costs of municipal projects funded through Development Charges, or of a Background Study itself.

As the Bill will be enacted after the May 15, 2024 Council date, staff would be able to recommend additional amendments to the new (2024) Development Charges by-laws and background studies to include the capital cost of reports and studies which the City is not permitted to charge under the current version of the legislation. Such an amendment must be passed within six months of the Bill 185
Legislation receiving royal assent in order to benefit from immunity from appeal.

When the by-laws attached as Documents 1-12 to this report were drafted, it was expected that Bill 185 would likely have completed the legislative process and the phase-in provisions would have been repealed. As the Development Charges Act continues to read that phase-in provisions are required, recommendation have been provided in this report to insert such provisions and also that the currently-proposed DC by-law so that the requirement to “phase-in” new charges over a 5-year period automatically falls away, without an amendment being required, should the Bill 185 Legislation be adopted to remove such provisions. A period of seven days is recommended after the effective date of such legislative change as the date of Royal Assent may not be known in advance and there is a significant effort required to input the revised rates.

City staff will continue to monitor this legislation as it is debated by the Legislature and will provide any relevant updates when this report is considered by Committee and Council.

**Conclusion**

The provisional development charge rates calculated represent those which can be recovered under the Development Charges Act, based on the City’s capital spending plans and assumptions, which is in line with the requirements of the legislation.

**FINANCIAL IMPLICATIONS**

The financial implications are as described in this report.

**LEGAL IMPLICATIONS**

The appeal provisions are as set forth in the disposition. The current development charge by-laws expire on May 22, 2024. Therefore, the new by-laws must be adopted and the by-laws must be enacted before that date if the City wishes to continue to collect development charges.

As noted above, Council’s authority with respect to development charges will be affected by Bill 185. As the Standing Committee on Finance and Economic Affairs is only scheduled to complete its hearings on May 15, 2024, with clause by clause consideration, third reading and Royal Assent coming thereafter, the final wording of the Bill will not be known at the time Council is to enact the replacement by-laws.
COMMENTS BY THE WARD COUNCILLOR(S)

N/A – this is a city-wide report.

CONSULTATION

Before passing new Development Charges By-laws (DCBS), Council is required to hold at least one public meeting to review the DCBS, Council report and proposed by-laws and provide members of the public with the opportunity to make representation. A notice to inform the public of this process was placed in newspapers on April 13, 2024, and the provisional DCBS were made available on March 15, 2024. The public meeting will be held at the May 8, 2024 meeting of Planning and Housing Committee.

A Development Charges By-law Sponsors Group was established by Planning and Housing Committee in 2023. An Industry Working Group was also established, consisting of representatives from the Greater Ottawa Home Builders Association (GOHBA) and the Building Owners and Managers Association (BOMA).

ASSET MANAGEMENT IMPLICATIONS

The recommendations documented in this report are consistent with the City’s Comprehensive Asset Management (CAM) Program objectives. The implementation of the Comprehensive Asset Management program enables the City to effectively manage existing and new infrastructure to maximize benefits, reduce risk, and provide safe and reliable levels of service to community users. This is done in a socially, culturally, environmentally, and economically conscious manner.

RISK MANAGEMENT IMPLICATIONS

The City of Ottawa’s current interim Development Charge By-law will expire on May 22, 2024. The new by-laws must be adopted and enacted before that date if the City wishes to continue to collect development charges.

RURAL IMPLICATIONS

Rural residential area charges have been calculated based on the cost of growth basis.

TERM OF COUNCIL PRIORITIES

This project addresses the following Term of Council Priorities:

- A city that has affordable housing and is more liveable for all;
- A city that is more connected with reliable, safe and accessible mobility options
SUPPORTING DOCUMENTATION

Document 1  2024 Development Charge By-law
Document 2  2024 Cardinal Creek Erosion Works By-law
Document 3  2024 Feedmill Creek By-law
Document 4  2024 Gloucester East By-law
Document 5  2024 Inner Greenbelt Ponds By-law
Document 6  2024 Leitrim Stormwater Facilities By-law
Document 7  2024 Monahan Drain Stormwater Facilities By-law
Document 8  2024 N5 and Channelization Stormwater Facilities By-law
Document 9  2024 Nepean – Ponds in Parks - South Urban Centre
Document 10  2024 Nepean – South Urban Centre Stormwater Facilities By-law
Document 11  2024 Riverside South – South Urban Centre Stormwater Facilities By-law
Document 12  2024 Shirley’s Brook Stormwater Facilities By-law

DISPOSITION

Planning, Development and Building Services Department will make any changes to the City-wide and Area-specific Development Charges Background Study and 2024 Stormwater Management Area-Specific Development Charges Background Study as a result of the direction of Planning Committee and Council.

Legal Services will prepare the required by-laws and submit them to Council.

Within 20 clear days of the passage of the by-law, the Planning, Development and Building Services Department to ensure that there is a notice of the passage of the By-laws and appeal deadline placed in the Citizen and Le Droit.

Within 20 days, the City Clerk’s Office to notify everyone who has provided a written request for notice and a return address, and the secretary of every school board within the City of Ottawa, of the passage of the by-laws and appeal deadline.

The public has 40 days after the adoption of the by-law to file an appeal with the City Clerk.

If appeals are made, the City Clerk’s Office to compile a formal record of appeals
including: a certified copy of the by-law; a copy of the two development charge background studies; certification that the notice of passage and last day of appeal was given in accordance with the Development Charges Act; and an original or true copy of all written submissions and materials received in respect of the by-law before it was passed.

The City Clerk’s Office to forward a notice of appeal and record to the Ontario Land Tribunal secretary within 30 days of the last day of the appeal period and provide such information and material as the Board may require.

Planning, Development and Building Services Department to prepare a pamphlet for each development charge by-law that has been adopted and is in force within 60 days after the by-law comes into force if the by-laws are not appealed to the Ontario Land Tribunal. If the by-laws are appealed, the pamphlets are to be prepared within 60 days of the Tribunal’s decision or amendment order. The pamphlets are to be made available to the public upon request.